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BUREAU FOR LATIN AMERICA AND THE CARIBBEAN
CRITERIA FOR THE ADVANCED DEVELOPING COUNTRY PROGRAMS

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1. Summary

A.I.D. has programs in four advanced developing countries in the Latin American region: Brazil, Colombia, Paraguay, and Mexico.

The purpose of this paper is to set forth the criteria within which Advanced Developing Country (ADC) programs will operate in LAC. The guidance provided herein establishes the LAC Bureau's policy framework for the ADC country programs. It is not, however, a set of iron-clad rules. Approval of specific programs and activities rests with the AA/LAC or his delegates.

The goal of the ADC program is to facilitate the ADC's own development efforts consistent with key U.S. foreign policy objectives such as: (1) exposing ADC leadership to our societal and cultural values; (2) developing trade and investment relations; and (3) increasing utilization of U.S. technology.

A.I.D.'s role in ADCs is one of brokering, facilitating, or acting as a catalyst to promote long-term developmental linkages between host country and U.S. institutions which are sustained over the long term by the institutions themselves, primarily with indigenous or private external resources. Use of concessional A.I.D. resources will be minimized.

Eligible types of activities include those which strengthen institutional linkages, promote the transfer of U.S. technology, mobilize non-A.I.D. resources for development, or promote policy change at minimal cost. Types of activities which are generally inappropriate include resource transfers, expansion of public services, general institutional strengthening, and pilot activities.

2. Background

A.I.D. has USDH representatives in three advanced developing countries in the Latin American region: Brazil, Colombia, and Mexico.

These representatives currently coordinate a variety of activities including the LAC regional Inter-Country Technology Transfer project, LAC Training Initiatives II, Section 416 surplus commodity programs, and S&T and Office of the Science Advisor projects. Similar activities are coordinated in Paraguay by the A.I.D. representative posted in Montevideo, Uruguay.

Other resources which are potentially available for use in ADCs include funds available under the Foreign Assistance Act for global or hemispheric interests. In addition to the aforementioned programs, these include FVA and PRE programs, including world-wide housing guarantees, and BIFAD institutional strengthening support programs. Other support may be obtained through reimburseable programs and through the Trade and Development program.

A number of A.I.D.-financed activities are also underway in or proposed for other ADCs, eg. an ESF program and LAC Training activity in Uruguay; a private sector HG in Chile. Currently, with the exception of the population sector there is no rational, consistent and comprehensive framework which is used to judge the appropriateness of LAC regional and centrally funded (S&T) projects or programs administered by FVA (416) and PRE (HGs) in the ADCs.

This paper sets forth criteria or guidelines by which to judge the appropriateness of future activities proposed for the ADCs in which we are currently working. It also articulates factors to consider when evaluating possible participation of other countries in the ADC program.

3. Nature of the ADCs

The ADCs are middle-income countries which have "graduated" from A.I.D. bi-lateral programs during the past twenty years. Per capita incomes range between \$1500 and \$2500. Life expectancy at birth is 65 years or more. Although other social indicators may be low because of highly skewed income distributions, they have, with the exception of Paraguay, a relatively large educated human resource base, a relatively well-developed institutional framework, and the ability to mobilize significant amounts of capital to further their own development efforts. These characteristics make the ADCs more partners rather than clients in the development process.

4. ADC Program Goals and Objectives

The fundamental goal of the ADC program is to facilitate the advanced developing country's own development efforts consistent with other key U.S. foreign policy objectives such as: (1) exposing ADC leadership to our societal and cultural values, including democratic forms of government; (2) developing trade

and investment relations; and (3) increasing utilization of U.S. technology. Special attention is paid to those technological and scientific aspects of development which are of priority concern to the U.S., the ADC and the LAC region in general.

The intent of the ADC programs is not to carry out broad multi-sectoral programs as we do in the less developed countries in LAC but to implement narrowly focused, clearly targeted set of activities which, in terms of the above goals and objectives, have a significant return on a very limited investment of A.I.D. management and financial resources.

The framework for activities in an ADC is a modified (shortened) version of the LAC Bureau's Management by Objectives system consisting of ten objectives: increase agricultural production; strengthen the private sector, manage and preserve natural resources, increase access to voluntary family planning services; improve health and health services, reduce infant and child mortality, improve housing, increase numbers and improve effectiveness of participant training, strengthen democratic institutions, and promote narcotics awareness. While A.I.D. representatives in ADCs have considerable flexibility to identify and select activities to support these objectives, the ADC programs must be narrowly focused and will generally work with only a limited number of the objectives in order not to over-extend the A.I.D. representative's management capacity.

Because of the small size and limited nature of the ADC program as well as the large size of several ADCs, the Bureau's objective indicators may not be appropriate measures on the impact of ADC programs. These indicators will be modified to assist in the measurement of ADC program effectiveness and in the allocation of resources. Examples of appropriate indicators (which will be specifically defined in a later document) include measures of achievement of institutional linkages, resource leverage, technology adoption, etc.

5. ADC Program Characteristics.

This section broadly defines ADC program characteristics. The specific nature of each ADC program will be more precisely defined as a result of the summary strategy statement/action plan review process.

- The ADC programs in LAC are based on the premise that the ADCs have already developed their human and material resources to a significant extent. Therefore, we should work toward helping them to make more effective or efficient use of those resources, rather than providing additional resources from external sources.

- A.I.D.'s role should be one of brokering, facilitating, or acting as a catalyst to promote the establishment of long-term developmental linkages and relationships between host country and U.S. institutions that will be sustained over the long term by the institutions themselves, primarily with resources from indigenous or private U.S. sources. That is, the A.I.D. representative should be a facilitator, broker and entrepreneur, identifying and matching resources with needs and laying the groundwork for long-term, mutually beneficial collaboration;

- ADC programs should focus on areas where A.I.D. has an experiential base which gives us a "comparative advantage" and which allows adequate back-stopping of activities. (When ADC programs are proposed for other areas, these should be vetted through action plan process paying special attention to management and backstopping issues.)

- Although activities with public sector institutions are not strictly precluded, the concept of sustainability leads to a general presumption that ADC programs will work primarily with non-governmental organizations.

- A.I.D. Development Assistance funds should generally be used only as seed money to finance technical assistance, training and, occasionally, temporary operational support to entities for specific activities. The latter should be provided for a clearly defined period of time, eg. 3 years. We expect that specific activities should become self-sustaining within a reasonable period of time and that longer term development will be supported primarily with indigenous resources complemented by non-concessional external resources. Development Assistance funds should not be used for long term institutional development efforts.

6. Appropriate Types of Activities/Mean to Achieve Objectives for ADC Programs.

ADC program activities should address critical development priorities of mutual interest to both the ADC and to the U.S. which fit within the modified MBO framework. However, they will rely on other than traditional bi-lateral mechanisms to achieve their objectives.

Types of activities can include:

- Strengthening of institutional linkages. Institutional and professional linkages between universities, research institutions, PVOs, and professional, business and labor organizations can be established or renewed in order to involve the ADC institutions in activities which contribute more fully to their country's development. Collaboration among U.S. and the ADC institutions for scientific development and interchange is especially encouraged.
- Transfer of U.S. Technology. The activities which lead to the application of U.S. technology to critical development problems in the ADCs are appropriate.
- Mobilization of Non-A.I.D. Resources for development. Activities which lead to substantial mobilization of non-concessional resources to meet development needs can be supported. These include activities which: promote private trade and investment between the U.S. and the ADC; involve USG agencies that are funded on a reimbursable basis; or mobilize significant indigenous resources for development.
- Policy Change. ADC programs normally will not provide resource transfers through which policy change can be leveraged (unless mandated by Congress); however, activities which can lead to significant policy changes at minimal cost, eg. by influencing or changing attitudes and beliefs of key host country decision makers, can be supported.
- Activities which benefit Lesser Developed Countries. A legitimate program focus is the development/support of ADC institutions which can serve as training centers/providers of technical assistance for the benefit of LDCs.

N.B. All activities proposed for implementation in the ADCs must: (1) fit within the modified LAC MBO framework; and (2) meet one or more of the categories enumerated above.

7. Types of Activities Which Are Not Appropriate for Inclusion in an ADC Program

The ADC program explicitly does not envision the creation of new bilateral assistance programs based on concessional assistance. Specific types of activities which are inappropriate for inclusion in an ADC program include:

Resource Transfers: Resource transfers on a concessional basis are generally not appropriate in the ADC context. Development assistance or ESF will not be provided to ADCs on a bi-lateral basis (unless mandated by Congress). Some exceptions may be made under certain circumstances. These exceptions may include Housing Guaranty programs and the provision of U.S. surplus foods under specific temporary situations, eg. for disaster relief.

Under normal circumstances, slightly concessional resources such as HGs may be justified if they clearly help to achieve broader and particularly desirable ADC program objectives such as strengthening linkages with U.S. institutions or significant policy change and are not competitive with requirements elsewhere in the Bureau, i.e. preference will be given to LDCs in the Bureau.

Provision of highly concessional resources, eg. food resources (except sugar quota offset) are normally inappropriate. There may be limited circumstances where their use may be appropriate; however, these should be limited, temporary programs which do not generate long term dependency. A Section 416 program may be justified if: (1) the commodities are in abundant supply, (i.e. there is no demand for them elsewhere in the region); (2) it addresses a specific temporary situation; and (3) it fits into the program objectives for the ADC agreed upon in the action plan. Utilization of temporary food resources will be viewed more favorably if they can also be used to achieve recognized ADC objectives, eg. increased involvement of the private sector in development, establishment of long term developmental linkages between U.S. PVOs and host country institutions, or activities of special interest to the USG such as democracy and narcotics education initiatives. However, achievement of such objectives is not in itself a sufficient rationale for food assistance.

Service Delivery: Many of the ongoing and proposed ADC activities are an expansion of public services through governmental entities or PVOs, which are made possible through the provision of financial resources or food aid. The need for the services is not questioned. However, A.I.D. cannot take an active role in expanding services in ADCs as we do in the LDCs. We should expect the ADCs themselves to allocate or promote the expansion of needed services. That is, the ADCs should make better use of their own resources, promote investment from the private sector, or look to other donors.

General Institutional Strengthening: A fundamental characteristic of the ADCs, with the exception of Paraguay, is that they have well developed institutional frameworks. Our ADC programs should discourage any long-term commitment to generalized institutional strengthening. Our role should be limited to that of a "facilitator" or match-maker, focusing on renewing U.S./ADC institutional ties which existed in the past or helping to establish new linkages. While institutional strengthening may be justified where host country institutions may not be well developed and where we have a special interest, eg. administration of justice, narcotics awareness, our assistance should be short-term and strictly limited to problem areas in which the U.S. has a special capability. We should not fund recurring activities or budget support for any institution or organization, including PVOs.

Pilot Programs: We should be cautious in initiating "pilot programs" in the ADCs. Our basic approach should be to build on or improve ongoing initiatives in the ADCs, which may include demonstrations of new hard or soft technologies, eg. the use of micro-computers, not to start entirely new programs which will require follow-on funding by A.I.D. as is often necessary in the LDCs. (Small activities which are expected to leverage significant follow-on resources from private sources or other donors are not precluded.)

8. Allocation of A.I.D. resources to ADCs.

A.I.D. resources for the ADCs will be programmed on the basis of whether the activity(ies) in question fit within the modified LAC MBO framework and meet the other program criteria established in Sections 4-6. Under normal circumstances, the proposed activities should be included in an Annual Action Plan which shows the source of funding. For activities which are not identified in the action plan, the A.I.D. representative should cable a brief description of the proposed activity which demonstrates that it is consistent with the criteria established for ADC program activities.

In allocating resources the Bureau will consider: (1) the degree to which the proposed activities are consistent with the modified MBO framework and the guidelines for ADC programs contained herein; (2) for activities funded through LAC regional projects, the availability of LAC funds for these projects and the competing demands for these resources; and (3) the anticipated additional management burden which the proposed activities will create.

Each activity, whether or not financed with resources provided through LAC regional projects, must be vetted through the Bureau's established program management oversight framework.

10. Program Management.

- The A.I.D. representative. There is a presumption that ADC programs will be coordinated by an USDH A.I.D. representative. In keeping with the nature of the ADC programs described above, in which the A.I.D. representative serves primarily as a broker to develop linkages between institutions which will in turn carry out the program, the A.I.D. representative's program management responsibilities should be relatively few.

While LAC regionally funded activities must be monitored by the A.I.D. representative, these should be few in number and generally should be fully, rather than incrementally, funded to avoid mortgage problems. There may also be some liaison/monitoring responsibilities associated with S&T, FVA and other centrally funded activities although those Bureaus are ultimately accountable for their programs. Financial management responsibilities will be carried out by Controllers at bi-lateral Missions who have been designated responsibility for ADC programs. Additional PSC staff should generally not be required and any requests for additional PSCs must be reviewed in the Action Plan process.

- A.I.D./W responsibilities. LAC will serve a coordinating role for AID/W activities related to ADC programs. All communications regarding A.I.D.-financed activities in ADCs must have LAC concurrence which will be assured through clearance by the designated A.I.D. country desk officer.

AID/W monitoring responsibilities are as follows: With respect to LAC regional projects, the LAC/DR technical offices responsible for backstopping the projects will monitor their implementation in the ADCs. LAC/DR/SA will be primarily responsible for monitoring the Inter-Country Technology Transfer Project because of the multiplicity of activities which are financed under it. Other centrally financed (S&T, FVA, PRE) activities will be backstopped by the designated project manager in coordination with the appropriate LAC bureau technical office (in DR, DP, or PS) and LAC/SAM.

- Documentation Requirements for ADC program approval/oversight. The focal point for LAC approval and oversight of the ADC programs will be a summary country strategy statement complemented by a modified action plan which will be submitted annually for review and approval by the Bureau. The A.I.D. representative will prepare a summary strategy statement for a three to five year period which will establish/validate the proposed areas of program concentration and articulate the relation of the strategy to the overall USG country strategy. He will prepare and submit an annual modified Action Plan which will identify specific program objectives within the modified MBO framework as well as activities to be initiated/continued. In addition to activities to be funded with LAC regional resources, the Action Plan will identify proposed activities to be funded with non-Bureau resources such as centrally funded S&T projects, Housing Guaranties, and any proposed food assistance.

To facilitate AID/W oversight of ADC programs, the ADC representatives will submit comprehensive semi-annual reports on their activities which will be reviewed by AID/W in a meeting chaired by LAC/DR. In order to minimize the proliferation of ad hoc reporting requirements on specific activities, sectors, or programs, these reports will serve as a focal point for transmitting information to AID/W.

11. Factors to be Considered as Reference Points for Including/excluding Countries in the ADC program.

Currently, four countries are included in LAC's ADC program. Given the severe limitations on staff and program budgets, it is LAC policy not to include additional countries in the ADC program at this time. In the event that circumstances change, the following criteria may serve as reference points for considering new ADC programs:

- The country has a per capita income of between approximately \$1500 and \$2500;
- the country has well developed scientific, technological and business institutions and a well educated human resource base;
- the country has relatively satisfactory social indicators, eg. life expectancy at birth is 65 years or more;
- The country has the economic capacity and political will to mobilize its own and external resources for development;
- The proposed country program is consistent with the criteria contained in this document.

- The country has an independent, democratic government or opportunities to strengthen democratic initiatives through an ADC program are perceived.

The above country selection criteria serve only as reference guides. They do not constitute a prescription for automatic incorporation into the Bureau's ADC program. Political factors as well as staff and budget constraints will also be important considerations.

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COUNTRY PROGRAMS : BUREAU FOR LATIN
LATIN AMERICAN REGIONAL
ACTION PLAN**

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